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SIPDIS

USTR FOR BENNETT HARMAN

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TAGS: [ETRD](#) [ECON](#) [PREL](#) [PGOV](#) [EC](#)
SUBJECT: ECUADOR TO FOLLOW COLOMBIA, PERU IN EU BILATERAL
AGREEMENTS IF ANDEANS CANNOT FUNCTION AS A BLOC

REF: A. QUITO 787
[1](#)B. BOGOTOA 3705

Classified By: DCM Andrew Chritton, Reasons 1.4(b) and (d)

[1](#)1. (C) Summary. At a meeting of the Andean Community (CAN) October 14, members agreed to a final effort to continue jointly negotiating an association agreement with the EU in spite of strongly divergent positions. However, the EU has said it won't agree to Bolivia's request for wholesale exceptions to commercial chapters. Colombia and Peru want to negotiate bilaterally with the EU if talks fall apart, and Ecuador has decided to follow their lead. End summary.

[1](#)2. (C) Ecuador hosted a meeting of CAN presidents in Guayaquil October 14 in a final effort to paper over divergent CAN views toward trade negotiations with the EU (ref A). (Note: Due to a spat between Colombia and Ecuador, President Uribe did not attend the meeting but sent a high level delegation instead, ref B.) Bolivia has continued to block consensus in the talks, wanting numerous exceptions. Fearing a breakup of the talks, Colombia and Peru had written letters to the European Commission President Jose Manuel Barroso asking for bilateral deals. They also requested approval in the CAN meeting for each member to seek separate trade agreements. However, the CAN leaders agreed to try one last time to negotiate as a bloc and ask for additional "flexibility" for Bolivia and Ecuador.

[1](#)3. (C) According to MFA Director General for Integration Humberto Jimenez, since Ecuador currently holds the Andean Community presidency, President Correa did not feel comfortable supporting Colombia and Peru on the issue of a bilateral agreement at the October 14 CAN meeting. However, in general, Correa does support bilateral agreements if the CAN cannot function as a bloc. In 2007, the CAN passed Decision 667, which mandated negotiating agreements as a bloc, effectively overturning the previous policy which allowed Colombia and Peru to negotiate bilateral FTAs with the United States. Jimenez reported that Correa is pushing for a rollback of Decision 667 so that CAN countries can have the right to pursue bilateral accords based on their national priorities and policies.

"Flexibility" For Bolivia (and Ecuador)

[1](#)4. (C) Per Jimenez, Bolivia has said that it wants to be excluded from chapters on services, IPR, and government procurement. (Ecuador is requesting some flexibility/asymmetry within these chapters, but is not seeking wholesale exclusions.) In addition, he claims Bolivia wants to exclude 1,400 tariff lines for sensitive

products and infant industry items (for example, excluding computers because Bolivia plans to develop a computer hardware industry). However, the EU has said it would permit opting out of an entire "pillar" (such as commercial, political, or cooperation), but not an "a la carte" approach to individual chapters.

Next Steps

15. (C) The next meeting between the CAN and the EU will be in El Salvador at the IberoAmerican Summit, October 28-30. MFA's Jimenez believes the talks will fall apart at that point, based on Bolivia's demands. If the talks fall apart, Jimenez believes Ecuador will wait for a period of several months in deference to Bolivia, but then begin negotiating bilaterally with the EU. Bolstering this belief, Vice Minister for Trade Egas said in his October 21 newspaper interview that if the EU is not interested in negotiating under the new conditions, Ecuador will seek a bilateral agreement or a joint agreement with Colombia and Peru. He emphasized "it is not convenient for us to leave the negotiations."

16. (C) An EU Mission economic contact believes the chapter-by-chapter approach is the only chance for the talks and thinks there is a possibility the EU might reluctantly agree. If the two sides can't reach agreement at the October 28-30 meeting, he is "not very optimistic" about chances to continue the negotiations, given European parliamentary elections in 2009 which could delay the talks for another year.

17. (C) Comment: Correa is both a nationalist and a believer in regional integration. Bolivia's opposition to a full trade agreement with the EU is challenging those views, since it looks unlikely that the CAN can remain united in pursuing a trade agreement. Correa is trying to paper over the disagreements for a while, but assuming those efforts fail it appears that he will put Ecuador's interests -- in this case a trade agreement with the EU -- over regional integration.
HODGES